Our Speaker

Lori Fox Ward, SVP Clinical Integration has worked with Valence Health since 1996. Lori oversees development, implementation and ongoing management of FTC compliant clinical integration programs for Valence customers.

Lori is a registered nurse with a Bachelor of Science in Nursing from the University of Iowa. With more than 20 years of experience in the healthcare industry, Lori has expertise in clinical integration program design and implementation, project management, and care management strategies.
Polling Question

How would you characterize your organization’s appetite for sponsoring a healthplan?

1. Investigating but not ready
2. Very interested but have not started
3. Already in implementation process
4. Operating as a provider-sponsored plan
Change is Coming…Or is Here in Some Cases

Massive Shift in Payment Models

![Bar chart showing the percentage of hospitals shifting from Fee-for-Service to P4P/Full Risk Bearing/ACOpayment models over time: 2010 (22%), 2015 (53%), and 2020 (80%).]

Likelihood of Hospitals Gaining Payer Capabilities in the Next 5 Years* (N=192)

![Column chart showing the likelihood of hospitals gaining payer capabilities in the next 5 years based on bed count: <100 bed count, 100-299 bed count, 300-499 bed count, >500 bed count. The chart indicates the mean and the Likelihood scale from 1 - Not likely at all to 7 - Very likely.]

Source: Oliver Wyman

Source: L.E.K. interviews and the L.E.K. Strategic Hospital Priorities Study 2012
Provider-Sponsored Plans as part of the Value-Based Spectrum

Value-Based Care = (Access + Quality = Outcomes) Cost

VALUE-BASED DELIVERY SPECTRUM

- P4P
- PCMH
- CLINICAL INTEGRATION
- SHARED SAVINGS
- BUNDLED PAYMENTS
- SHARED RISK
- CAPITATION FULL RISK
- PROVIDER-SPONSORED PLANS

Financial Opportunity & Incentive Alignment
Plans Span the Country

Likely over 100 plans in operations today
Why Value-based Care

> Strengthen relationships with physicians
> Protect or enhance market share/position
> Increased control of network usage
> Financially benefit from bending cost curve
> Not as financially risky as it seems
> Refocus mission to population management from acute episodes
> Advance / accelerate quality initiatives

![Payer cost diagram](Image)

- Government Based
- Commercial
Why Provider-Sponsored Plans?

- **Mission**: Can impact what care is delivered and how it is delivered.
- **Market Share**: Can significantly affect market share.
- **Alignment**: Incentives are fully aligned around quality, costs and coordination.
- **Quality**: Providers in charge. Provider sponsored plans more efficient and effective.¹
- **Broader sphere of influence**: Affect care for patients not receiving care at facility
- **Alternative revenue stream**: Generate revenue beyond care delivery.
- **First Dollar control**: Delivery organizations will be in charge of clinical care and not be financially dependent on non-care giving entities
- **Lower costs**:
  - 30-40% of all medical expense is waste.²
  - 75% of total medical costs are for preventable conditions.³
  - 31% healthcare is administrative cost

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¹ Commonwealth Fund. ² Institute of Medicine reports. ³ CDC ⁴ Richard Clarke, Wall Street Journal
Why Provider Sponsored Plans – A Story
Why Provider Sponsored Plans – A Story

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>After</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birth hospital</td>
<td>84,244</td>
<td>553,479</td>
<td>469,235</td>
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<tr>
<td>Transport (staff only)</td>
<td>22,199</td>
<td>-27,222</td>
<td>-49,421</td>
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<tr>
<td>Tertiary (NICU) hospital</td>
<td>958,467</td>
<td>209,829</td>
<td>-748,638</td>
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<tr>
<td>Delivery system total</td>
<td>1,064,910</td>
<td>736,086</td>
<td>-328,824</td>
</tr>
</tbody>
</table>

Source: Dr. Brent James, Intermountain health. HFMA ANI 2012
Polling Question

How would you best categorize your organization’s financial position:
1. Weak balance sheet; 50 DCOH; ↓ revenues
2. Strong balance Sheet; 50-100 DCOH; ←→ revenues
3. Strong balance Sheet; >200 DCOH; ↑ revenues
## Economic Example

### Startup

<table>
<thead>
<tr>
<th>Component</th>
<th>Build</th>
<th>Rent and Outsource</th>
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</thead>
<tbody>
<tr>
<td>Implementation</td>
<td>$500,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Claims Platform</td>
<td>$15,000,000</td>
<td></td>
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<tr>
<td>Staff - comp, facility</td>
<td>$3,500,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Legal/Consulting</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Other</td>
<td>$500,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Outsourced Partner</td>
<td></td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>$20,500,000</td>
<td>$5,500,000</td>
</tr>
<tr>
<td>Risk Based Capital</td>
<td>$15,000,000</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>$35,500,000</td>
<td>$20,500,000</td>
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</tbody>
</table>

### Ongoing Financials

<table>
<thead>
<tr>
<th>Category</th>
<th>Build PMPM</th>
<th>Build Annual*</th>
<th>Rent and Outsource PMPM</th>
<th>Rent and Outsource Annual*</th>
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<tbody>
<tr>
<td>Total Premium</td>
<td>$150.00</td>
<td>$180,000,000</td>
<td>$150.00</td>
<td>$180,000,000</td>
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<tr>
<td>Medical Costs</td>
<td>$132.00</td>
<td>$158,400,000</td>
<td>$132.00</td>
<td>$158,400,000</td>
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<tr>
<td>Ops</td>
<td>$4.25</td>
<td>$5,100,000</td>
<td>$3.75</td>
<td>$4,500,000</td>
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<tr>
<td>Admin/ Med. Mmgmt</td>
<td>$8.50</td>
<td>$10,200,000</td>
<td>$6.50</td>
<td>$7,800,000</td>
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<tr>
<td>Premium Tax</td>
<td>$3.00</td>
<td>$3,600,000</td>
<td>$3.00</td>
<td>$3,600,000</td>
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<tr>
<td>Profit</td>
<td>$2.25</td>
<td>$2,700,000</td>
<td>$2.25</td>
<td>$5,700,000</td>
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</table>

*Assumes 100,000 members
## Economic Realities

<table>
<thead>
<tr>
<th>Plan</th>
<th>Type</th>
<th>State</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
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<tbody>
<tr>
<td>Geisinger Health Plan</td>
<td>Commercial</td>
<td>PA</td>
<td>1.5%</td>
<td>5.0%</td>
<td>4.5%</td>
<td>3.7%</td>
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<tr>
<td>Health First Health Plans</td>
<td>Commercial</td>
<td>FL</td>
<td>0.6%</td>
<td>4.5%</td>
<td>5.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Providence Health Plans</td>
<td>Commercial</td>
<td>OR</td>
<td>2.1%</td>
<td>-1.1%</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Gundersen Lutheran</td>
<td>Medicare Advantage</td>
<td>WI</td>
<td>1.4%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Providence Health Plans</td>
<td>Medicare Advantage</td>
<td>OR</td>
<td>8.7%</td>
<td>9.9%</td>
<td>7.3%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Dean Health Plan</td>
<td>Medicare Advantage</td>
<td>WI</td>
<td>-8.0%</td>
<td>-6.6%</td>
<td>5.3%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Driscoll Children’s Plan</td>
<td>Medicaid</td>
<td>TX</td>
<td>12.4%</td>
<td>-0.2%</td>
<td>6.8%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Health Plan of CareOregon</td>
<td>Medicaid</td>
<td>OR</td>
<td>19.5%</td>
<td>7.5%</td>
<td>3.7%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Texas Children’s Health Plan</td>
<td>Medicaid</td>
<td>TX</td>
<td>2.80%</td>
<td>1.90%</td>
<td>7.00%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Mdwise</td>
<td>Medicaid</td>
<td>IN</td>
<td>1.5%</td>
<td>1.1%</td>
<td>0.4%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td><strong>5.3%</strong></td>
<td><strong>2.7%</strong></td>
<td><strong>3.8%</strong></td>
<td><strong>3.6%</strong></td>
</tr>
</tbody>
</table>

Source: Compiled from publicly available financial statements that are submitted and available by the NAIC.
Coincidence? Provider-Sponsored Plans Lead The Way on Medicare Advantage Plan Quality

Number of 5-Star Rated Medicare Advantage Plans
Based on Part C Summary Ratings by CMS
2012 - 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Provider Sponsored</th>
<th>Traditional</th>
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<tbody>
<tr>
<td>2012</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>2013</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>2014</td>
<td>9</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: CMS Part C and D Performance Data: http://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/PerformanceData.html
Haven’t we seen this movie before?

> First round in 1980s and 1990s
> Some successes, but many failures
> Challenges
  • Lack of expertise
  • “Wrong” people in charge
  • Bad deals from the outset
  • Lack of data
Why This Time Is Different

> Data
> Affordable Care Act
> Expertise
> Technology
> Cost Pressures creating imperative
  • Macro at the country level
  • Micro at the provider lever
> Consumer Driven Healthcare
Making the Decision

> Mission and Goals
> Risk Tolerance
> Market Position
> Balance Sheet Impact
> Brand Identification
> Payer Pitfalls
Required Capabilities

• Customer Service
• Invoice Management – Group/Broker
• Utilization Management – moderate pre-cert program
• Case & Disease Management – Complex Case Management
• Claims Management – adjudication, audit, recovery, mail
• Eligibility Management
• Data Integration – Trading partners
• Finance and Accounting
• Analytics and Reporting
• Provider Relations and Network Management
• Compliance
• Marketing
• Community Relations
• Quality Management
Options to Move Forward

**Buy**
- Acquire operating assets

**Partner**
- Formally partner with an existing plan

**Build**
- Start a health plan from the ground up.
- Likely a mix of internal and vendor provided operations

**Rent / Outsource**
- Work with reputable services firms
- Customize services to match need
- A la Carte approach or Total Outsource
Tactical Steps to Provider-Sponsored Plans

1. Develop Risk-based strategy
2. New Organization Formation
3. Network Development
4. Licensure
5. Build/Buy/Rent/Outsource Operations
6. Implementation
   1. Provider Relations/Network Development
   2. Plan Design
   3. Marketing/Sales Plan
   4. Care Management
   5. Operations
   6. Financial Planning and Reporting
   7. Technology Systems
7. Operate
Assessment and Business Case

Options

Provider-Sponsored Plan
Full Risk
Shared Risk
Shared Savings
P4P
Polling Question

Please select the best characterization of your organization’s physician alignment:

1. Little PCP connection; weak or no physician leadership; all-private medical staff
2. Emerging PCP alignment/employment; no PHO; mixed specialty loyalties
3. Multiple M.D.s in system leadership; strong PHO; largely employed PCPs or Clinically Integrated
Provider Recruitment and Relations

- Provider network is required to submit for a Certificate of Authority to the Department of Insurance
- Map your network by type, location and specialty.
- Create contract templates – need legal assistance
- Credentialing processes
- Committee structure – physician involvement
- Compensation program
  - Physicians
  - Hospitals
  - Other
Operations

> Claims Processing
> Member Customer Services
> Provider Relations
> Network Management and Contracting
> Care Management
> Quality Management
> Finance and Accounting
> Reporting and Analytics
> Portals – Members and Physicians
> Regulatory Compliance
> Marketing and Sales Execution
Some examples

- Scott and White – Medicaid
- Alliant Health Plans – Commercial
- Health New England
- Network Health
Scott & White (Now Baylor Scott & White)

> Founded in 1890’s as possibly the first “provider-sponsored health plan”
> Provided care for employees of the Santa Fe Railroad
> Scott & White Health Plans Founded in 1982 as a not-for-profit
> Initially aimed at employees, quickly grew to over 200,000 lives
> Added a Medicare Cost Plan in 1990s
> Currently serves over 250,000 members in several key markets
  • Commercial (fully insured, ASO)
  • Medicare Cost
  • Medicare Advantage
  • Medicaid
Journey into Medicaid

- Scott & White Healthcare not historically fully vested in Medicaid
- Access to specialty care and newer technologies not always available due to scarcity or cost
- Opportunity to enter into the managed Medicaid market was not well positioned for health plans not already in the program
  - Network adequacy
  - Systems interfaces
- Unique opportunity for a provider-sponsored plan to rapidly enter the program

**Black outline denotes overlap of Central Texas MRSA with Scott & White Health Plan’s existing service area.**
Dash to Success

- Aug 2011: Bids Awarded by HHSC
- Sep 2011: Contract Execution
- Oct 2011: Network Information to TDI for Certification
- Nov 2011: On-Site Readiness Review
- Nov 2011: Marketing Materials Due to Fulfillment Vendor
- Dec 2011: Premium Rate Release
- Jan 2012: Premium Rate Finalization
- Jan 2012: Enrollment of New Members
- Mar 2012: Members Eligible for Services

Covered Medicaid Lives

- Mar-12: 16,500
- Sep-13: 36,000
Alliant Health Plans

> Commercial provider-sponsored health plan

> Jointly owned by Hamilton Medical Center and area physicians

> Dominant payer in Dalton, GA, <100,000 people

> Began 13 years ago, steady expansion

> Several strategic and operational opportunities for expansion
Medicare Advantage - Innovation

**Health New England**
- Owned by Baystate health
- 5-Star Rated Plan
- 7,000 Medicare lives
- Contract with Clinical Pharmacy firm to educate patients and care givers
- Reduced readmissions 36 percent via education and appointment adherence

**Network Health**
- Owned by Ministry Health Care
- 5-Star Rated Plan
- 135,000 lives across commercial and Medicare plans
- Place Care Managers in clinics not just hospitals
- Health Care Concierge program – assigned customer service representative
Multiple entity provider-sponsored health plan

> More lives = less risk
> Larger footprint = more attractive to employers
> Larger footprint = better positioned to compete in market with existing payors
> Less “leakage” = greater clinical control
> Greater access to expertise
Summary

> Risk is coming, decide what form and when

> No provider-sponsored plan is cookie cutter, but parts of other’s experiences can be reused

> Get the strategy, mission, objectives and governance right

> Know the market and the providers in the market

> Don’t be afraid to outsource, but maintain control over your core functions of network, quality and branding

> There’s no time like the present
Questions?

> Lori Fox Ward, SVP, Valence Health
  - Information@ValenceHealth.com
  - www.valencehealth.com

> www.providersponsoredplans.com


> http://www.sherlockco.com/